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DIRECTORATE OF  
INTELLIGENCE

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WEST GERMANY - FRANCE: The two-day meeting between Chancellor Brandt and President Pompidou that begins today will focus on future development of the European Communities.

Of immediate concern are the differences over how the EC should resume movement toward monetary and economic union, which was disrupted by the 1971 monetary crisis. While France attaches priority to narrowing the margins between EC currencies, Germany continues to emphasize the need to balance any such steps with moves toward coordinated economic policies.

The meeting will also provide the occasion for a discussion of preparations for the likely summit meeting of the present and prospective community members later this year. The summit will involve a survey of the future role of the community in European and world affairs generally. EC enlargement, the prospect of global trade negotiations, the community's nascent political consultations and the drive for East-West detente have all made this role a crucial question.

Brandt and Pompidou nevertheless may find themselves in substantial disagreement over Europe's future political organization. Although German Foreign Minister Scheel has partially endorsed Pompidou's view that each government should appoint a "European minister" to represent it in community affairs, both Scheel and Brandt have also emphasized the need to develop further existing community institutions. In interviews earlier this week both endorsed majority voting in the EC Council, a stronger Commission, and a popularly elected European Parliament--all of which are anathema to the French.

Given these differences, it seems likely that the position adopted by Prime Minister Heath--who will be seeing Pompidou later this month, and Brandt

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in April--will become increasingly important. Although Heath seemed to go far toward endorsing Pompidou's positions in Paris last summer, his recent statements suggest that his endorsement is by no means complete. He has, for example, publicly rejected the "European ministers" idea and has supported strengthening the European Parliament. [REDACTED]

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USSR-BANGLADESH: Moscow's invitation to Prime Minister Mujibur Rahman to visit in March is the latest indication of Soviet interest in close relations with Bangladesh.

The Soviets are trying to capitalize on their present favorable position in Bangladesh. Prior to formal recognition of the new regime, Soviet planes ferried token relief aid and Soviet officials in talks with Dacca leaders held out the promise of assistance, especially in the areas of flood control, transportation, and communications. A draft trade agreement was signed on 9 February. The East Wing branch of the old Soviet-Pakistan friendship society was resurrected as the "Society of Friendship Between the Peoples of Bangladesh and the Soviet Union."

After recognition on 25 January, Aeroflot added Dacca to its Moscow-Djakarta route, and the Soviets reportedly offered to supply aircraft for Bangladesh's national airline.

The Soviets have a strong interest in assisting Bangladesh in reconstruction. They have bristled at Chinese charges that Mujib's government is a creature of "Indian aggression, supported by social-imperialism." In addition, Moscow doubtless hopes that early support for Bangladesh will enable the USSR to maintain its position as Dacca's primary "great power" supporter. The Soviets have admitted misgivings about the bourgeois character of the Bangladesh leaders, but Moscow wants to ensure that the US and China--especially the latter--are prevented from overtaking the USSR's lead in Dacca.

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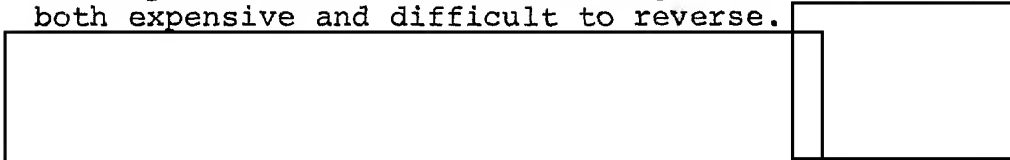
MALTA-UK-NATO: The talks on 7-8 February made no progress, but an agreement still appears possible.

Prime Minister Mintoff, who prior to the most recent talks had lobbied unsuccessfully for an additional, one-time payment of about \$13 million, was uncooperative and generally withdrawn. In one session, he left much of the negotiating to his chief assistant and brooded on the sidelines. As a result of his behavior, the discussions resulted in minimal movement on secondary, bilateral Malta-UK issues. The principal bilateral question--work contracts for Maltese labor employed by the British--still is unresolved



The talks broke off without setting a date for a future meeting and Mintoff returned to Valletta to consult with his Labor Party supporters. Before leaving, however, he made still another attempt to secure an increase in the total UK-NATO financial package to Malta. He indicated to Italian Foreign Minister Moro that Valletta's desire for additional funds might be satisfied if loans were made available at very favorable rates. This may have been a probe to test the firmness of NATO unity on the financial issue.

Meanwhile, the British withdrawal continues and may soon enter a critical stage that will be both expensive and difficult to reverse.



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COMMUNIST CHINA: Elements of Mao Tse-tung's program for "revolutionizing" China's higher education are being selectively revised.

25X1 [redacted] local variations are cropping up in applying the Maoist prescription that secondary school graduates must undergo a lengthy period of rustication as a prerequisite for university admission. The original formula called for all graduates to spend a minimum of three years in the countryside prior to university entrance. This requirement apparently is being relaxed in favor of allowing individual localities to set their own standards.

Some areas now require only a year and others just three months of service in the rural areas to become eligible for recommendation to a university. In a sharp reversal of Maoist policies, authorities in at least one city are recommending certain well-qualified middle school students for direct entry into universities without first completing a rural assignment.

The relaxation of the rural labor requirement almost certainly is designed to ensure that the universities, which have been enrolling large numbers of politically correct but poorly educated workers, peasants, and soldiers, are supplied with at least some better-qualified students. Presumably the relaxation reflects a growing concern among moderate elements in the leadership that Mao's radical prescription for higher education will not meet China's increasing technological needs.

25X1 [redacted] a decision already has been taken to alter the Maoist program and to reorient higher education toward academic pursuits. Although there has been no official announcement of such a decision, the national education conference held last summer probably addressed itself to this question. In any case, a

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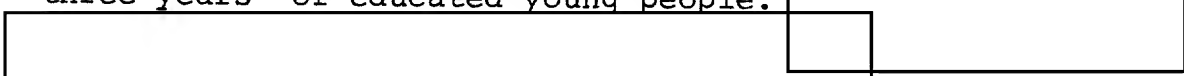


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steadily increasing volume of propaganda has called for resurrecting academic policies in vogue before the Cultural Revolution. These include emphasis on basic theoretical studies, the selective use of foreign textbooks, and the reintroduction on a limited basis of the examination system.

On the other hand, the current effort to raise academic standards at China's universities is unlikely to alter the basic fact that most secondary graduates still stand little chance of ever getting a higher education. Moreover, not all universities have reopened, and to date those that have reopened have enrolled only a fraction of the number of pre-Cultural Revolution students. More importantly, urban areas are unable to absorb the large numbers of educated youth who reach working age each year.

Thus, for the near term at least, the majority of China's educated youth can continue to expect to be sent down for a mandatory stint of labor on the farm. This is partly explained by an apparent consensus in Peking on the notion that the quality of life in rural areas will be raised by the infusion of large numbers--some 10 million during the past three years--of educated young people.



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NICARAGUA: The government has suddenly thrown a blanket of secrecy over the ballot counting in an effort to juggle the results--not in favor of the government, but to make the opposition appear stronger.

In voting for a constituent assembly on 6 February, the governing Liberal Party was at least a four-to-one favorite, according to Embassy estimates, but early returns showed the Liberals running 15 to 1 ahead of the Conservatives. The sting of such a resounding defeat was too much for Conservative leader Aguero, who charged that the elections were fraudulent and threatened to withdraw from participation in the interim government. In an effort to forestall this, President Somoza has suspended public disclosure of the count and has offered to arrange for a higher percentage of the vote for the opposition. Embassy officials believe both sides can agree on approximately 25 percent for the Conservatives.

The number of votes does not matter as far as the composition of the constituent assembly is concerned, since it has already been agreed that the Conservatives will receive 40 of the 100 seats regardless of the actual count. What is at stake is the preservation of a Liberal-Conservative pact, which practically guarantees Aguero's credibility as an opposition leader and Somoza a return to power following a 30-month interim government. Aguero's charges of fraud, on the other hand, are credible; there has probably not been an honest election in Nicaragua in almost half a century, and ingrained habits of multiple voting and intimidation die hard.

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PANAMA: The government is planning a major political rally next month.

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[REDACTED] The rally is designed primarily to demonstrate labor's support for the government's new labor code, which has run into stiff business opposition. It will also show labor's support for Torrijos as Panama's next president.

The government is also apparently resurrecting the New Panama Movement, an official government party designed to replace the traditional oligarchy-dominated parties that have been proscribed since the 1968 coup. The New Panama Movement was first advertised in 1969, but never got off the ground. More recently, however, a leadership cadre has been formed, and the movement is providing funds for the planned labor rally. The government party is still only a shell, but it may soon take on real life in preparation for the election in August of a legislature, which will in turn elect the new president.

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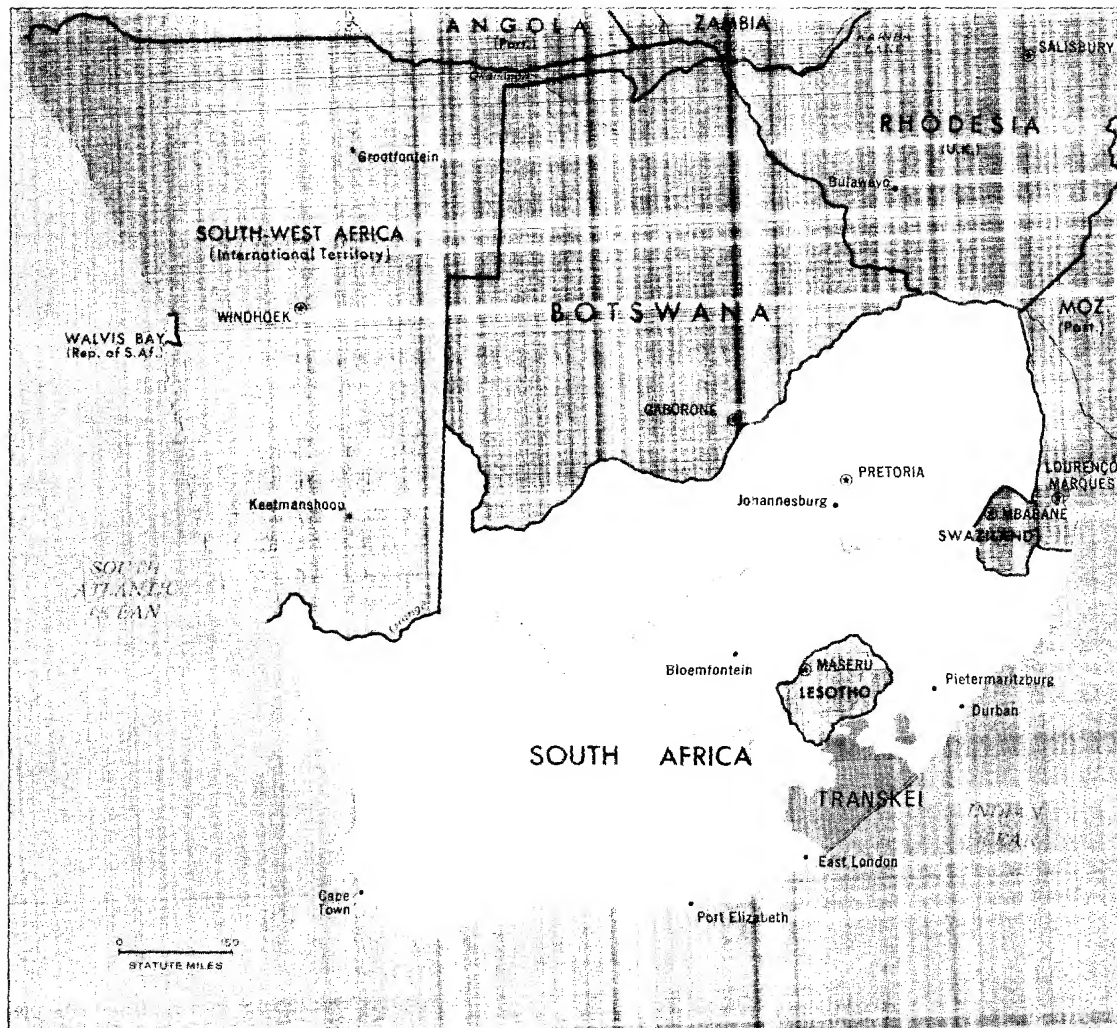
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SOUTH AFRICA: The government may be heading for another showdown with the Transkei.

Kaiser Matanzima, the chief minister of the Transkei--South Africa's largest, oldest, and at one time most cooperative bantustan (African reserve)--is meeting with Prime Minister Vorster this week and reportedly plans to demand additional land, including a seaport. The Transkei leader has threatened to denounce apartheid as a fraud and to pursue a policy of multiracialism if the government refuses to grant his demands. Although requests for more land are not new, Matanzima may have been encouraged to be more aggressive now by the success that the Zulu and the Ovambo have apparently had in extracting concessions from Pretoria.

This action could pose a dilemma for the government. Right-wingers would view concessions to the Transkei as a display of weakness. On the other hand, granting these demands would open the floodgates of demands from other bantustan leaders. Moreover, denunciation of separate development by one of its oldest supporters could make the government look bad just when recent UN Security Council actions have focused international attention once again on South Africa. The Transkei has put the government on the spot on other occasions, however, and the two have always reached an accommodation.

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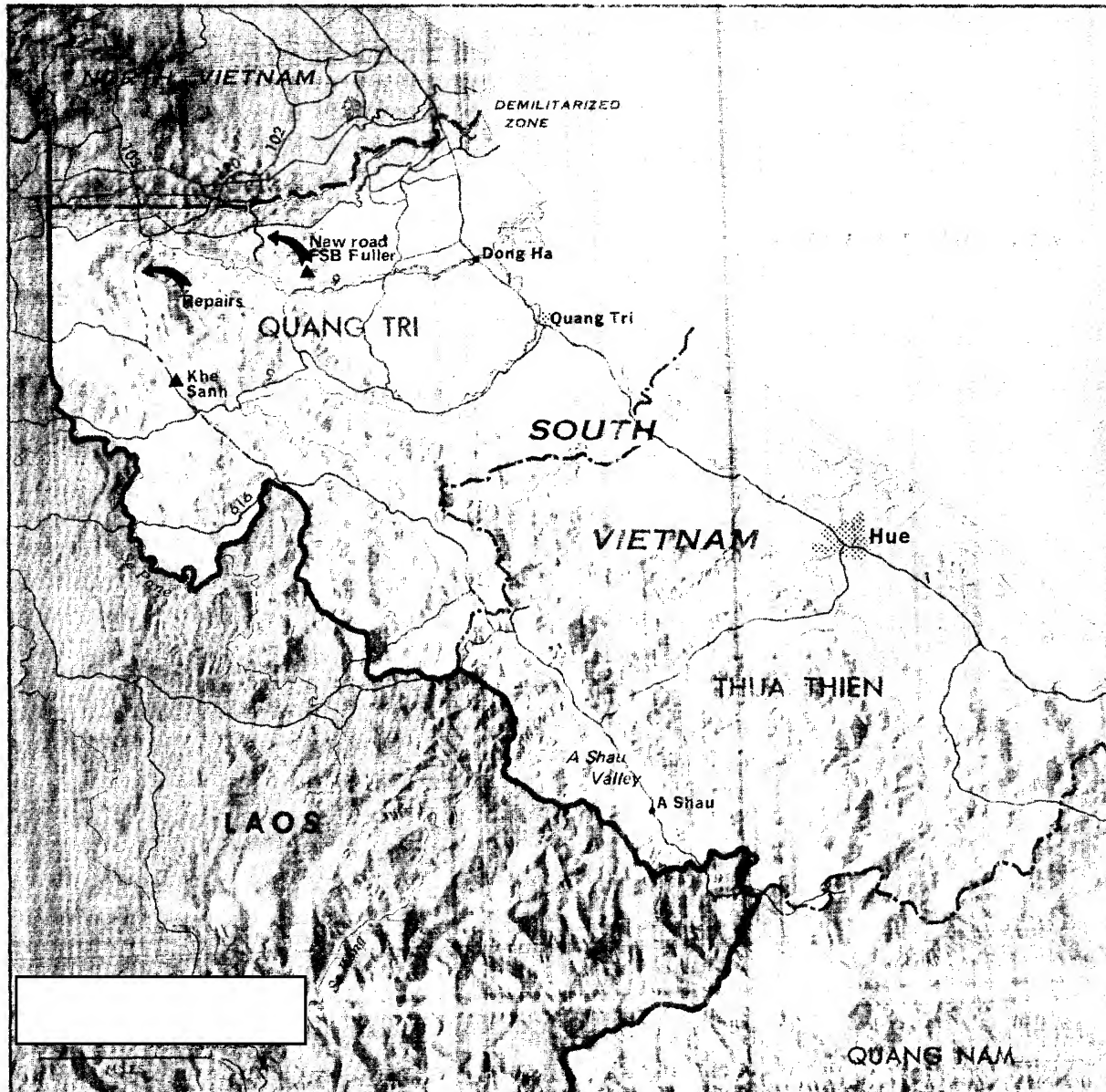
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## New Communist Road Construction



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CHILE-USSR: Army commander in chief Prats claims that he is under constant pressure from the Allende government to accept "many attractive offers" of credit for the purchase of Soviet military equipment. Prats told a US defense attaché source that he may not be able to continue postponing acceptance of these offers or of an official invitation to visit the USSR. Top generals have opposed acquisition of Soviet equipment, but this attitude may change following recent shifts in many top army assignments. Perhaps more important, army representatives in the Chilean military delegation that recently visited Cuba reportedly were favorably impressed by the Soviet military equipment demonstrated by the Cuban armed forces.

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INDOCHINA: The North Vietnamese are rapidly improving their logistical roadnet into northern South Vietnam. Photography of late January showed the early stages of construction of an extension of Route 102, apparently heading for cache sites just north and west of Fire Support Base Fuller near Route 9. The other two roads that cross the DMZ are in the final stages of construction, but some segments north of Khe Sanh are inactive.

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CANADA: The unemployment rate rose sharply last month to 7.7 percent, up from 6.1 percent in December. Unemployment usually is high at this time of the year, but the failure to reduce it substantially in the past year will continue to hamper government prospects for an absolute majority in the federal elections that probably will be held some time this year. The Trudeau government is likely to adopt more stimulative monetary and fiscal policies, possibly combined with wage and price controls. In addition, high unemployment also could delay new government measures designed to restrict foreign investment in Canada. [REDACTED]

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NEW ZEALAND: Prime Minister Marshall's cabinet, announced 9 February, includes several new faces but strengthens the impression that it will bring no significant policy changes. Former prime minister Holyoake retains the foreign affairs portfolio, the able Robert Muldoon remains minister of finance, while former defense minister David Thomson takes on the labor portfolio. Thomson's appointment was without the blessing of organized labor and may signal a hard line toward labor unrest during 1972. The new and younger faces presumably are intended to give the government a revitalized appearance in preparation for national elections later this year, which are expected to be close. Marshall has also created two new portfolios for environment and social welfare in a clear effort to disarm the opposition Labor Party's criticism that the government has neglected these areas. [REDACTED]

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ALGERIA-CZECHOSLOVAKIA: Prague promised to conclude "as early as possible" a new economic agreement with Algiers during the recent session of the joint committee for economic, technical, and scientific cooperation. Under the proposed pact Czechoslovakia would provide a \$50-million long-term loan for complete plants and equipment. With this new aid Czechoslovakia would play a more active role in Algeria's economic development. Previously, Prague had extended \$15 million in credit but only one third has been used.

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LIBYA: The first elections to the National Assembly of the Confederation of Arab Republics (CAR) will be held in Libya on 27 February, according to an announcement by the official Libyan news agency. Libya will be represented by 20 members, whose candidature must be submitted on 15 February, although details have not yet been published concerning the qualifications of candidates or how they will be selected. It is in keeping with Qadhafi's fervent support of CAR, however, that Libya will hold elections for the CAR assembly, even before it has elected a Libyan National Assembly.

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